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## Lithuania v. the U.S.S.R.: How to Settle This 'Divorce'

There seems to be a beginning to the political dialogue between Lithuania and the Soviet Union to break the current deadlock over the status of Lithuania. This is immensely complicated by the fact that it involves an issue of basic principle that cannot be compromised: Lithuania's right to independence. However, the overwhelming interests of the West as well as of the Soviet Union to continue on the path of arms control and reduced tensions, within a framework of political stability, require some bridging mechanisms on both sides. One of them could be financial.

The recurring refrain from President Gorbachev is "divorce." Most frequently an integral part of divorce is a financial settlement. Gorbachev has already made claims on Lithuania for reimbursement of Soviet investment and Soviet-owned facilities amounting to tens of billions of dollars. While the amounts are surely dramatically overstated, as well as not necessarily requiring payment in hard currency, the principle of Soviet claims could be recognized by Lithuania.

Conversely, the Soviet Union would have to examine the validity of Lithuania's claim to monetary damages. In addition to these claims, the

terms of trade between the two countries may have to be altered and more of Lithuania's key imports, such as energy, provided by the West. The locus for such an overall negotiation could be the newly formed European Bank for Reconstruction and Development.

This institution is now coming into being, with a capital of \$12 billion. Its shareholders consist of the West European countries, Japan, the United States (as its largest single shareholder) and the Soviet Union. Its objective, as the name implies, is to assist Eastern European countries with those investments required to make the transition to market economies. Helping Lithuania and the other Baltic countries, if they follow the same road, to finance their "divorce" settlement with the Soviet Union in order to facilitate their peaceful transition to independence would actually be consistent with that objective. This could also include helping the Baltic countries with their financing of imports from the West as opposed to the Soviet Union.

Whether the capital of the EBRD is sufficient to deal with such additional requirements would have to be studied in due course. A separate fund

might have to be set up for that purpose. It would be the responsibility of the bank to provide for it once a clearer picture developed as a result of negotiations.

There is nothing new or immoral in making financial settlements part of political arrangements. The Camp David agreements provided for the return of the Sinai oil fields to Egypt and energy supply commitments to Israel. They also included significant commitments for American economic assistance to both countries. At the present time, West Germany is, to all intents and purposes, acquiring East Germany for cash. History is full of political and security arrangements with financial components.

For the Soviet Union, such an arrangement would have some obvious advantages. First, the EBRD is being set up to promote economic activity in Eastern Europe. This clearly includes the Baltics but would not be applicable to Georgia, Azerbaijan or other Soviet republics. It would therefore not set a precedent for other Soviet republics. Second, the Soviet Union could receive some of the ultimately negotiated settlements in hard currency, which it desperately needs. Lithuania, alone, is in no posi-

tion to make such a settlement. Third, the Soviet Union is a member of the bank, and therefore the settlement would occur within a framework that it fully participates in.

The mechanics of such a negotiation could take many forms. The objective would be for representatives of Lithuania, the Soviet Union and the EBRD to agree, within a finite period of time, to the amount and the method of payment of such a settlement. The payment would then be financed, or guaranteed as to the hard-currency portion, by the EBRD. The EBRD would also assist in the financing of the shift of Baltic trade patterns.

The time frame for such a negotiation should be reasonable, say, two years. It should proceed parallel with other negotiations involved in such a "divorce" such as security arrangements and Soviet access to the Baltic port of Kaliningrad, appropriate safeguards for Soviet citizens residing in Lithuania, phaseout of conscription for Lithuanians, etc.

The basics for such a negotiation would be the immediate acceptance by the Soviet Union of the principle of Lithuanian independence, subject to completion of these agreements within the allotted time frame. If no agree-

ments were finalized by that time, as a result of real differences or simply foot-dragging by one side or the other, full independence would be implemented and the other issues turned over for arbitration to a judicial body such as the World Court or some other institution agreed upon in advance.

There are no perfect answers when issues of principle collide with other broad political interests. Time may be running out on President Bush and Gorbachev, who are both trying to walk a very fine line at an extraordinarily delicate time. A breakup of the Soviet Union is, at the very least, a likely outcome of the present political and economic crisis. It is to everyone's advantage, if this were to happen, to have it happen as gradually and peacefully as possible. Some mechanism that allows Bush to uphold the principle of Baltic independence and yet permits Gorbachev a peaceful and rational solution is badly needed. Such a solution should also be applicable to Estonia and Latvia in due course. The EBRD might provide at least part of such a mechanism.

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